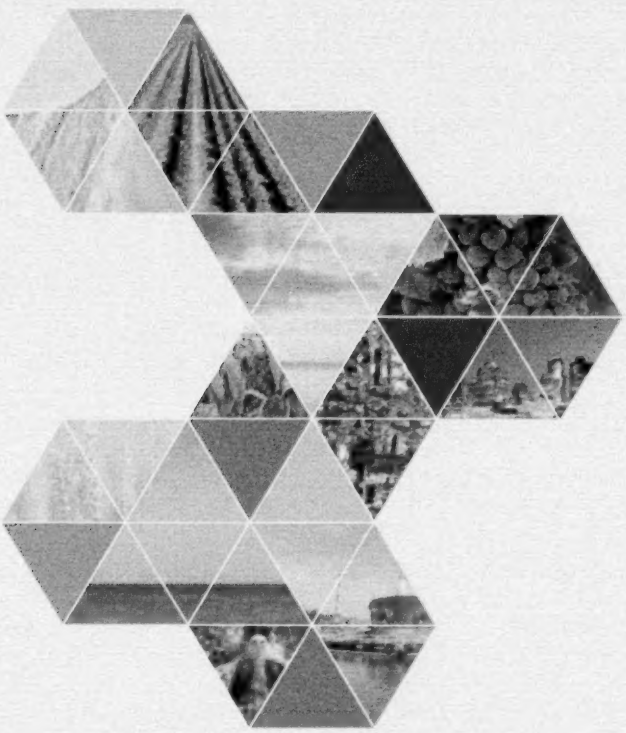
2014

Niagara Region

Annual Financial Report



Financial Statements of The Regional Municipality of Niagara, Ontario, Canada
Year ended December 31, 2014

Niagara Region

VISION

Niagara Region is a unified community of communities with diverse opportunities and qualities. Together we strive for a better tomorrow.

MISSION

Niagara Region will serve its residents, businesses and visitors through leadership, partnership and the provision of effective and community-focused services.

VALUES

Our corporate values guide our decision-making and actions every day.

respect	We treat everyone equitably with compassion, sensitivity and respect.
serve	We serve Niagara with pride, care and excellence.
honesty	We value honesty, integrity and trust.
choice	We believe in social, environmental and economic choices that support our diverse community.
partnerships	We foster collaboration and value partnerships.

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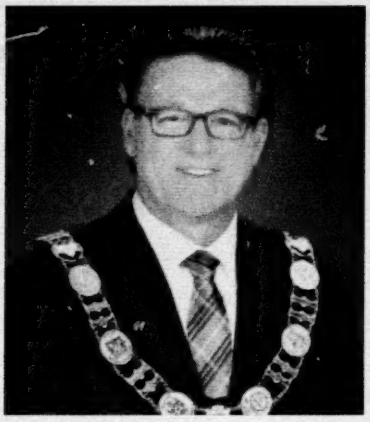


MESSAGE FROM ALAN CASLIN, NIAGARA REGIONAL CHAIR

Moving our people, our performance, and our Region forward.

In December 2014 I had the pleasure of joining our 2014 - 2018 Regional Council as Regional Chair, to represent and serve the interests of over 446,000 residents of Niagara.

Regional Council is working hard to fulfill the mandate on which we were elected by the residents of the Region. Over the next four years, we will work to foster an environment for economic prosperity, help Niagara to grow, create attractive places for business and investment, and ensure that our residents thrive through greater opportunities.

We are committed to achieving success for the residents of Niagara through responsible decision-making, and as such, we have introduced a system of performance metrics that will show residents our progress during this Council term. For the first time in our 45 years as a Region we are measuring our performance with real time data, based on the following six performance outcome dials:

- Growth
- Employment
- Investment
- Infrastructure
- Taxation
- Community Symptoms

Establishing these metrics ensures that we are focused on the correct measures to strengthen our community.

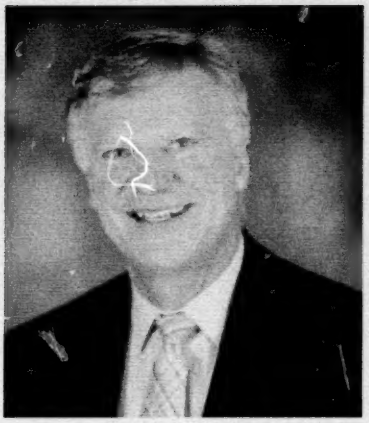
Over the next four years, moving the dials will ensure that Niagara's economy remains on the right track of growth and prosperity. To achieve positive outcomes in these areas, we will work together to advance our Strategic Priorities, which are:

- Moving people and goods
- Fostering innovation, investment and entrepreneurship
- Building a labour-ready workforce
- Positioning Niagara globally
- Doing business differently and organizational excellence

We look forward to sharing our progress with the residents of Niagara and encourage you to visit our website at www.niagararegion.ca/priorities for further information about how we are measuring our performance.

Your feedback is important to me. If you have any Regional concerns or comments you would like to share, please send me an email at alan.caslin@niagararegion.ca.

Alan Caslin,
Niagara Regional Chair



MESSAGE FROM HARRY SCHLANGE, CHIEF ADMINISTRATIVE OFFICER

Together we are building a healthy and strong Niagara.

2014 was a year of progress and positive change at Niagara Region, as staff and Council committed to working with our municipal, business and community partners and build a foundation for a more prosperous Niagara. Many of our achievements this past year demonstrate that by working together, we can achieve results for residents, including:

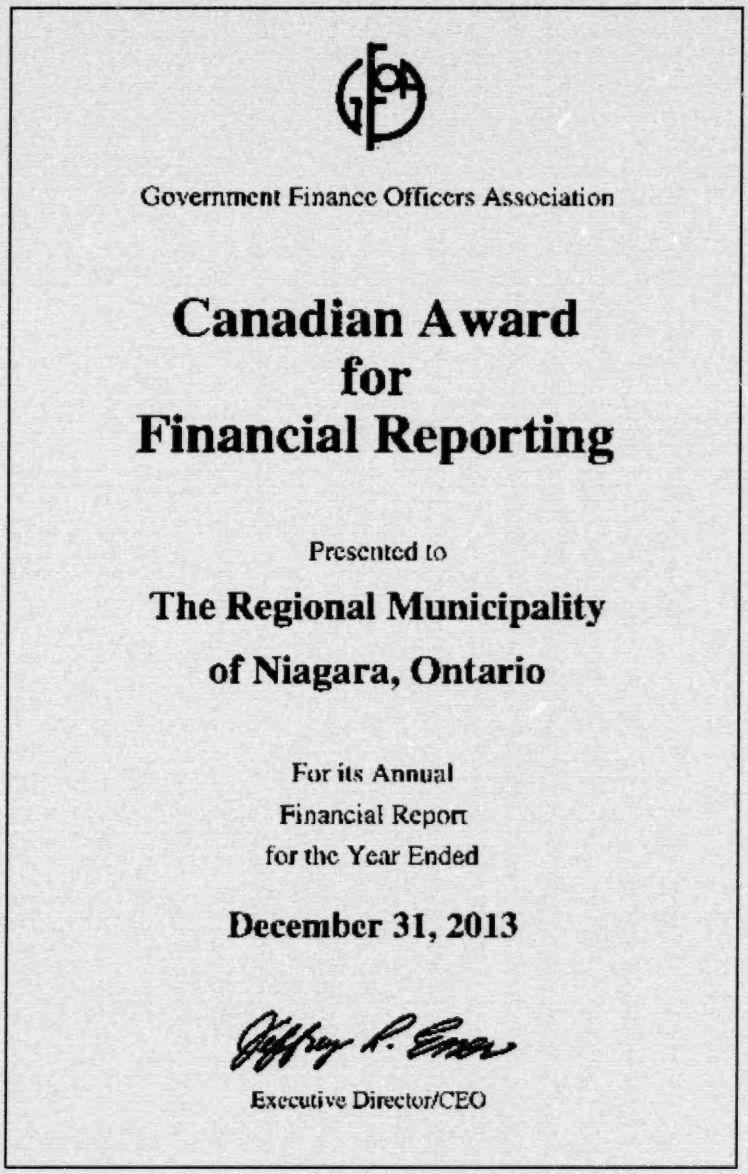
- A new approach to doing business that recognizes local area municipalities as partners: For example, all 13 Niagara municipalities are working together to advocate for permanent GO rail service. In addition, we have worked with municipalities to conduct a review of best practices in water and wastewater, and received $1.5 million in provincial funding for the Healthy Kids Community Challenge.
- Getting the economic development model right: The Economic Development team has changed the way it does business. Working in close cooperation with local area municipalities, economic development officials and internal departments, we are focusing on strategic investments that will create an environment for investment, innovation and entrepreneurship.
- Matching local skills with employment needs: When it comes to Social Assistance and Employment Opportunities, we are refocusing our efforts on employment opportunities by developing innovative ways to help businesses find the skills they need. In several cases, new partnerships between Community Services and Economic Development have resulted in jobs filled by Ontario Works participants.

The work that has taken place over the past year has moved our organization closer to our goal of fostering an environment for economic prosperity, organizational excellence and a more prominent external presence with provincial and federal governments.

As we move into 2015, we look forward to working with our 2014 – 2018 Regional Council, municipal and business partners, and community organizations to foster an environment for economic prosperity in Niagara, by advancing Regional Council's Strategic Priorities.

We welcome discussions with residents and our partners to understand how we can work together to better serve and strengthen Niagara.

Harry Schlange,
Chief Administrative Officer



For the tenth consecutive year, the Government Finance Officers Association of the United States and Canada presented the Niagara Region with the Canadian Award for Financial Reporting for its 2013 Annual Financial Report in recognition of the Region's ability to present financial information in a clear, concise and informative manner. This award program encourages innovative financial reporting and maintains a high quality standard that is recognized amongst peers.

2014 Niagara Region

Annual Financial Report

Introduction

The fiscal year ending December 31, 2014
The Regional Municipality of Niagara

Prepared by the office of the Chief Administrative Officer
and the Corporate Services department

NIAGARA REGION AT A GLANCE

Niagara is a culturally rich and historically significant region offering its 446,192 residents a mix of urban and rural living. The region boasts a diverse economy that includes manufacturing, tourism, agriculture and agribusiness, transportation and logistics, and emerging sectors such as new media, green technology and bioscience. Located between two Great Lakes, Erie and Ontario, Niagara's many natural features and proximity to Toronto and to the United States, with which it shares a border, continue to shape the region's evolution as a centre of commerce and an international tourism destination.

Regional government responsibilities, as delegated by the Province of Ontario, include:

- Policing
- Water and wastewater
- Waste management
- Regional arterial roads
- Public health
- Social assistance
- Long-term care
- Court services (POA)
- Children's services
- Affordable housing
- Paramedic and emergency services
- Economic development
- Planning and development services
- Conservation and management of natural resources

Regional government operations are overseen by Niagara Regional Council which is composed of 30 elected representatives from 12 area municipalities, plus the Regional Chair. In December 2014, a new term of Council was elected to serve the residents of Niagara for a four-year term until November 30, 2018.

CORPORATE ORGANIZATION CHART

Niagara Citizens:

446,192 residents

Regional Council:

Regional Chair, Alan Caslin and 30 Councillors

Administration Office

Chief Administrative Officer, Harry Schlange

Programs and Services:

- Community Services
- Corporate Services
- Planning and Development
- Public Health
- Public Works

Niagara Region

2014 – 2018
REGIONAL COUNCIL

Alan Caslin
REGIONAL CHAIR

Jim Diodati,
MAYOR
NIAGARA FALLS

Bob Gale,
NIAGARA FALLS

Bart Maves,
NIAGARA FALLS

Selina Volpatti,
NIAGARA FALLS

John Maloney,
MAYOR
PORT COLBORNE

David Barrick,
PORT COLBORNE

Ted Luciani,
MAYOR
THOROLD

Henry D'Angela,
THOROLD

Walter Sendzik,
MAYOR
ST. CATHARINES

Kelly Edgar,
ST. CATHARINES

Brian Heit,
ST. CATHARINES

Debbie MacGregor,
ST. CATHARINES

Andrew Petrowski
ST. CATHARINES

Tim Rigby,
ST. CATHARINES

Bruce Timms,
ST. CATHARINES

Frank Campion,
MAYOR
WELLAND

Paul Grenier,
WELLAND

George Marshall,
WELLAND

Wayne Redekop,
MAYOR
FORT ERIE

Sandy Annuziata,
FORT ERIE

Bob Bentley,
MAYOR
GRIMSBY

Tony Quirk,
GRIMSBY

Sandra Easton,
MAYOR
LINCOLN

Bill Hodgson,
LINCOLN

Patrick Darte,
LORD MAYOR
NIAGARA-ON-THE-LAKE

Gary Burroughs,
NIAGARA-ON-THE-LAKE

Dave Augustyn,
MAYOR
PELHAM

Brian Baty,
PELHAM

April Jeffs,
MAYOR
WAINFLEET

Douglas Joyner
MAYOR
WEST LINCOLN

CORPORATE LEADERSHIP TEAM

Harry Schlange
Chief Administrative Officer

Dr. Valerie Jaeger
Medical Officer and Health Commissioner

Katherine Chislett
Commissioner Community Services

Mo Lewis
Commissioner Corporate Services and Treasurer

Ron Tripp
Commissioner Public Works

Rino Mostacci
Commissioner Planning and Development

Bob Seguin
Director Economic Development

OFFICE OF THE CHIEF ADMINISTRATIVE OFFICER

Corporate Services Department

Planning and Development Department

Public Health Department

Community Services Department

Public Works Department

REGIONAL COUNCIL COMMITTEES

Budget Review Committee of the Whole

Planning and Development Committee

Corporate Services Committee

Public Works Committee

Public Health and Social Services Committee

BOARDS AND AGENCIES

Provincial Offences Joint Board
Ken Beaman, Chair
Joanne Spriet, Associate Director, Court Services

Police Services Board
Bob Gale, Chair
Andrew Petrowski, Vice-Chair

Niagara Peninsula Conservation Authority
Bruce Timms, Chair
Carmelo D'Angelo, Chief Administrative Officer

Niagara Regional Housing
Shirley Cordiner, Chair
Henry D'Angela, Vice-Chair

OTHER SUPPORTING SERVICES

Auditors
KPMG LLP

Fiscal Agents
National Bank Financial Inc., RBC Capital Markets, CIBC Wold Markets Inc.

Fiscal Solicitor
Borden Ladner Gervais

Insurance Broker
HUB International Ontario Limited

Banker
The Royal Bank of Canada

Building a culture of service excellence

High-performing organizations and businesses across the globe have identified employee engagement as a vital component of delivering customer service excellence. To move to a culture of service excellence and high performance, Niagara Region introduced a comprehensive People Strategy in 2014 that will enable organizational priorities and build:

- Sustainable organizational performance and strategy
- A strong, positive culture that fosters innovation and accountability into everyday working life

This strategy is a vital part of building an engaged organization that can adapt to new challenges, perform in a competitive economic environment and deliver on Council's Strategic Priorities

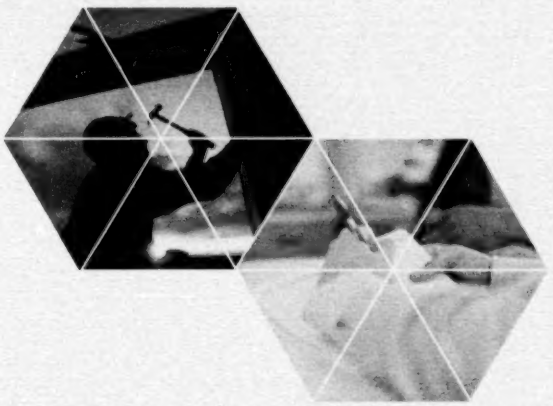
Taxpayer affordability

Council passed its 2015 budget carrying an increase of 1.92 per cent over 2014. The budget maintains existing services and supports new programs that will enable a more prosperous Niagara, while ensuring tax payer affordability.

Open for business

Drawing on the knowledge and expertise of Niagara's economic development professionals, industry stakeholders, post-secondary institutions, and key partners, Niagara Region's Economic Development division established an Economic Development Action Plan. The plan to guide the Niagara's 2015 to 2018 efforts to foster economic growth and prosperity, by emphasizing:

- Investment attraction
- Innovation and entrepreneurship
- Economic research and analysis
- Result measurement across four areas: employment growth, building permit growth, regional
- Population growth and increases in the number of new businesses
- Result measurement across four areas: employment growth, building permit growth, regional population growth and increases in the number of new businesses



Helping people who are homeless or at risk of homelessness

The Region continued to take action to address homelessness and the rising need for affordable housing in 2014. By partnering with community agencies, over 10,000 individuals were assisted in finding or maintaining affordable housing through programs that include the Housing First project and Niagara's Housing Stability Plan.

Niagara Region also led a comprehensive review of its programs and services to ensure a fully integrated system of homelessness programs and supports. The review established guidelines to invest $6.7 million in provincial, federal and regional funding to help vulnerable families and individuals find and maintain affordable housing over the next three years.

Caring for seniors

Niagara Region continued to provide quality care for seniors in 2014. The Region's eight long-term care homes were awarded the highest level of accreditation from Accreditation Canada, and all homes met or exceeded evacuation time guidelines set by the Ontario Fire Marshall and the National Fire Prevention Association.

As a testament to continuous quality improvement, the Region, in collaboration with Public Health, implemented an Outbreak Quality Improvement Initiative to increase support for long-term care facilities before, during and after an outbreak and uses a dashboard to track outbreak management performance.

Supporting healthy child development

The Region made strides in promoting the healthy development of Niagara's children. Together with Public Health and two primary care practices, the Region led a pilot project that provided children under five with free fluoride varnish application. Since primary care sees children under the age of five at least eight times, these visits served as a key intervention to dental decay prevention. Dental decay is the leading cause of day surgery in this population. During this pilot of two months, 78 children benefited from the fluoride varnish and gained an increased awareness of oral health messaging and available community dental services.

The Region also promoted healthy eating and exercise habits to young children through the Coordinated Approach to Child Health (CATCH) program. Piloted in 12 child care centres across Niagara, CATCH provides early childhood educators the tools to promote exercise and healthy eating for children under four years of age.

Building a healthy Niagara

Niagara Region, with leadership from Public Health and triple majority from local area municipalities, established a region-wide smoke-free outdoor spaces by-law. The by-law enforces smoke-free outdoor spaces at all municipal or regionally owned properties (including during festivals and events), parks, playgrounds, sports or playing fields, splash pads, outdoor pools, and arenas.

Building on the success of InfoDine, InfoInk and InfoBeauty, Public Health launch two additional public disclosure sites. InfoSplash shows the inspection results of recreational water facilities including pools and spas and InfoBeaches shows water quality results of local beaches. From May to September there was over 38,000 pageviews to InfoSplash and almost 100,000 pageviews to InfoBeaches.

Maintained high quality Water and Wastewater services

Niagara Region received a 100 per cent rating from the Province of Ontario across all six water treatment facilities in 2014. This number demonstrates Niagara Region's commitment to go above and beyond the multi-barrier, health-based drinking water quality standards mandated by the Province and deliver safe and reliable drinking water to Niagara communities.

In 2014, Niagara Region developed a Wastewater Quality Management System to demonstrate our dedication to providing effective environmental protection services across Niagara. The creation of a Wastewater Quality Management System is not mandated legislatively and Niagara is proud to be a leader in adopting this proactive initiative. This system supports a due diligence approach for the operation of our wastewater works, while striving for continuous improvement.

Reducing our waste

Through 2014, Niagara Region continued its efforts to achieve a 65 per cent waste diversion rate by 2020. As a result of resident participation in weekly waste collection programs, including Blue Box, Grey Box and Green Bin collection, curbside battery collection, and hazardous and e-waste drop-offs, Niagara's waste diversion rate is above the provincial average.

Niagara Region and the 12 area municipalities worked together to reduce acts of illegal dumping on municipal and Regional property. The re-launch of Niagara's Illegal Dumping Campaign, featured outdoor signs and an online reporting site to encourage the reporting of illegal dumping activities in illegal dumping hot spots throughout Niagara.

Strengthening Transit

In 2014, Niagara Region and the 12 area municipalities united in a call for permanent, daily GO Train service to Niagara. With direction from the Premier, Niagara officials initiated the development of a robust business case for GO Trains connecting Niagara Falls to Toronto through Hamilton with stops in St. Catharines and Grimsby.

Supporting Our Community

Niagara Regional Chair's Golf Tournament

The 17th Annual Niagara Regional Chair's Charity Golf Tournament raised over $90,000 in support of several charities: Heartland Forest, Niagara Community Foundation, Pathstone Mental Health, Big Brothers Big Sisters, Community Care of St. Catharines and Thorold, and the Port Colborne East Village Action Committee. Since the tournament's inception, more than $1.3 million has been raised for local charities.

United Way Annual Giving Campaign

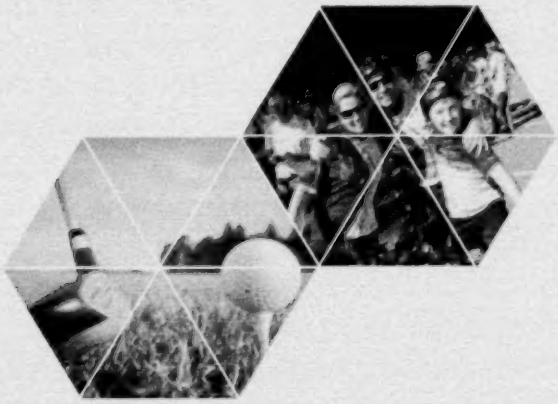
During the 2014 annual United Way Giving Campaign, employees contributed over $190,000 that will be used to help fund over 80 programs and services accessed by Niagara residents. Employees across Niagara Region participated in a wide variety of fundraising activities, including the annual chili cook off, beach volleyball tournament, the first annual curling bonspiel and dress down Friday.

Big Move Cancer Ride

Team Niagara Region participation in the Big Move Cancer Ride raised over $15,000 for the Walker Family Cancer Centre. Overall, 525 riders raised over $385,000 for the Cancer Centre, which serves over 2,500 cancer patients in Niagara annually.

Federation of Canadian Municipalities

Niagara Region and the City of Niagara Falls hosted the Federation of Canadian Municipalities' (FCM) 77th Annual Conference and Tradeshow from May 30 to June 2. The conference drew 2,000 municipal leaders from across the country and generated between $4 - $6 million dollars in economic activity for Niagara. The annual conference provided delegates the opportunity to discuss national challenges facing Canada's hometowns, including infrastructure, adequate housing, and rail safety.



2014
Niagara Region
Financial Year in Review

The fiscal year ending December 31, 2014
The Regional Municipality of Niagara, Ontario, Canada

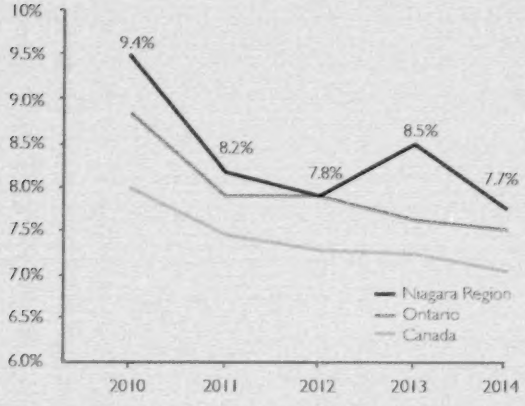
Niagara Region

THE NIAGARA REGION PROVIDES PROGRAMS AND SERVICES TO 446,192 RESIDENTS IN 12 LOCAL AREA MUNICIPALITIES.

Niagara Region's Economy

In 2014, Niagara's economy improved by way of a reduction in the unemployment rate from 8.5 per cent to 7.7 per cent.[1] The professional, scientific and technical sector, along with health care, saw the greatest increase in employment, while public administration and real estate experienced a modest decline.[2]

Unemployment Rates



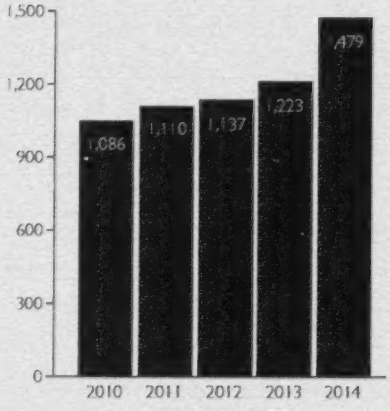
Housing Starts and Building Permits

The number of housing starts in Niagara region was above the historical five year average level with 1,479 new permits issued, up 21 per cent from 1,223 permits issues in 2013.[3] The increase in residential starts is attributable to new single housing developments across Niagara-on-the-Lake, St. Catharines, Fort Erie, Lincoln, Welland and Thorold.

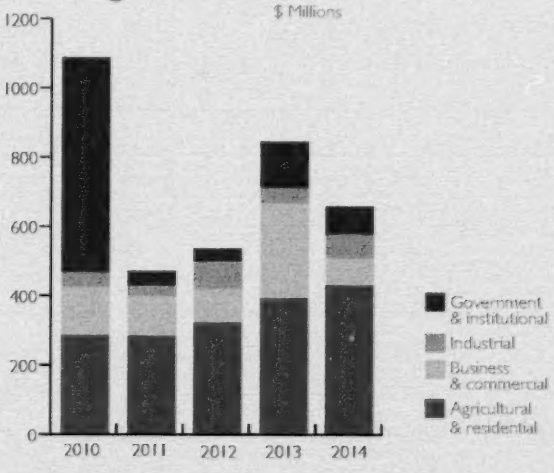
Total building permit values of $618 million represent a decrease of approximately 27 per cent compared to 2013, while agricultural and residential permit values of $430 million show an increase of approximately 10 per cent when compared to 2013.[4] The overall decline was not unexpected, as 2014 was a year following the completion of several major non-residential projects in Niagara Falls, St. Catharines and Niagara-on-the-Lake.

Housing Starts

1,207 Annual Average



Building Permits Issued



1 Statistics Canada, Labour Force Survey-CANSIM Table 282-0110 for the St. Catharines- Niagara CMA; Table 282-0002 for Ontario and Canada

2 CEMSI Analyst, retrieved May 29, 2015

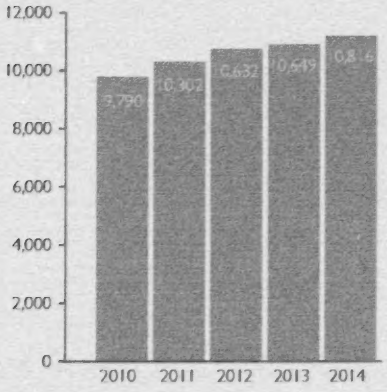
3 CMHC Housing Now Report-First Quarter 2015; Table 1.3B; History of Housing Starts in St. Catharines-Niagara CMA

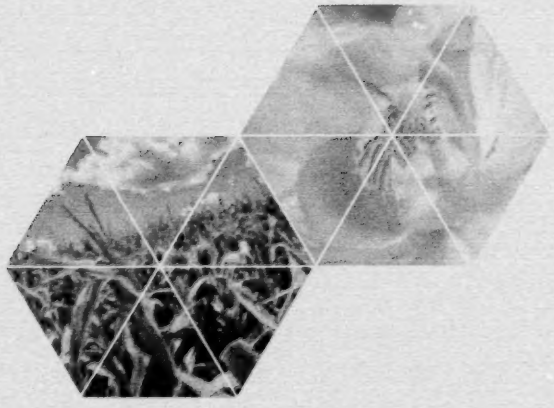
4 Statistics Canada Building Permits report- Table 026-0006 for the St Catharines-Niagara CMA. The numbers are from December 2010-2014 reports

Average Monthly Social Assistance Caseload

Despite a reduction in the unemployment rate, Niagara experienced a 1.6 per cent increase in the average monthly Ontario Works caseload from 10,649 cases in 2013 to 10,816 people in 2014. Community Services continues to work diligently with each Ontario Works case and the province to provide programs to help those clients find employment opportunities.

Average Monthly Social Assistance Caseload





Conclusion

Niagara Region will continue to focus its efforts on enabling business growth and economic prosperity by developing the right conditions to facilitate business growth, help existing businesses succeed and attract new investment and innovation. The 2015 budget provides funding for:

- Advocacy and planning for GO Transit in Niagara, including a mobility hub study that will look at potential GO transit stations in St. Catharines, Grimsby, Niagara Falls and Beamsville
- Implementation of Niagara's Economic Action Plan, including new initiatives to support innovation and entrepreneurship, and to attract domestic and foreign investment through trade missions and tours. The Pan Am Games and International Dragon Boat Races will be leveraged as opportunities to draw interest in investment.
- Designation and marketing of a Foreign Trade Zone Point in Niagara by the Government of Canada
- Tax grants and financial incentives for new and existing industrial and commercial businesses
- A range of employment supports and activities that will enable vulnerable residents to achieve independence through sustainable employment
- Ongoing funding to ensure the availability of high-quality, subsidized childcare options for working parents

The Region will continue efforts to support investment growth, innovation, entrepreneurship and new partnerships with private and post-secondary

PROPERTY TAXES

On February 19, 2015, Regional Council approved a 1.92 per cent increase in Regional taxes this year, after Council passed its 2015 tax supported operating budget with a tax levy of $321.9 million.

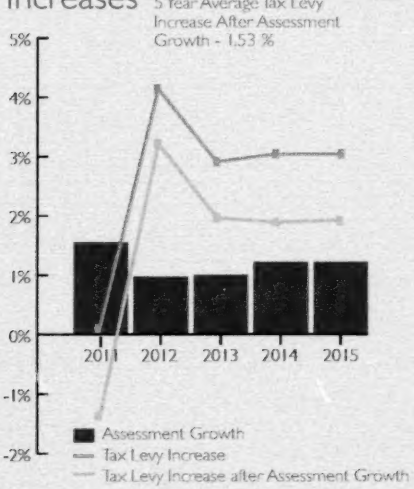
For the average house assessed at $236,134, the 1.92 per cent tax increase will result in an additional $22.50 per household.

Recent analysis performed by an independent firm illustrated that the Niagara region maintains a competitive advantage with respect to property taxes on commercial and industrial properties. The review noted that while property tax rates are equal to or higher than other jurisdictions, assessment values representing the cost of capital in the region is on average lower than other jurisdictions. This has resulted in commercial office building properties and large industrial properties paying approximately nine per cent and 18 per cent per square foot less than other jurisdictions respectively.[5]

Property taxes of $692 per capita and $1,603 per household, when compared to other jurisdictions, illustrate Niagara Region's broader property tax competitiveness.[6] However, as a measure of affordability for residents, property taxes as a percentage of household income are slightly higher for the Niagara region at four per cent, compared to 3.8 per cent in other jurisdictions.[7]

5 BMA Management Consulting Inc., Municipal Study - 2014
6 2013 FIR; Levy revenue ÷ population; Levy revenue ÷ households
7 BMA Management Consulting Inc., Municipal Study - 2014

Historical Assessment Growth and Tax Levy Increases



Assessment growth for any given year is based on the information received from the Municipal Property Assessment Corporation (MPAC) in December of the prior year and is used in the setting of tax rates at the time of budget approval.

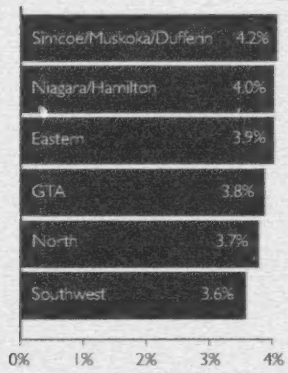
Regional Property Taxes Per Capita

2013

**Source: 2013 FIR; Levy revenue ÷ population*

Property Taxes

As a per cent of household income



** Source: BMA Management Consulting Inc., Municipal Study - 2014*

LONG-TERM DEBT STRATEGY

Standard and Poor's "AA" Stable

On January 31, 2015, Standard and Poor's credit rating agency reaffirmed Niagara Region's stable "AA" rating. Standard and Poor's noted that Niagara Region demonstrates good financial management and points to the Region's robust annual operating and capital budget documents which are shared with auditors and residents alike, allowing for good disclosure and transparency. Standard and Poor's highlighted some challenges for Niagara, including a weaker labour market, slow recovery in manufacturing sector and modest population growth, which constrain the Region's financial flexibility compared with that of some peers. However, they expect that financial flexibility and budget performance will remain largely stable.

Capital program funding

The Region's capital program funding model balances immediate and future needs, affordability and sustainability, while minimizing risk and supporting economic growth in Niagara region. The intent of the model is achieved by adhering to the following concepts:

1. Capital projects are budgeted in their entirety to support transparency of total project costing. Where a project could be considered for phasing the design and construction costs can be budgeted in different years.

2. A source of funding is required for each capital project so one Council does not impede a future Council:

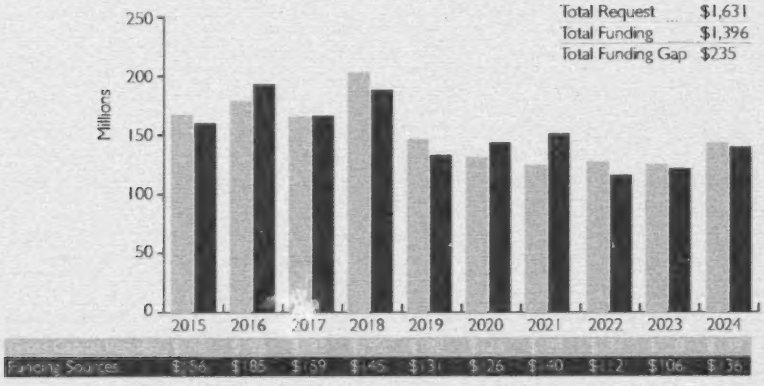
   a. Ensures the 2015 program is maintained within the affordability envelope

   b. Ensures accountability of project funding lies with the approving Council

This model is fundamental to the long-term financial health of the Niagara region, supports the strong S&P rating, and therefore minimizes the cost of borrowing to the Region and local area municipalities.

The graph below illustrates deviations between gross capital requests and funding sources available within each year. The strategy used to balance the ten year capital forecast is to redirect funding in the year it is not required and apply it to years where there are funding shortfalls.

Ten Year Capital Funding Program



2014 Approved Budget Compared to Financial Statements

A balanced 2014 operating and capital budget was approved by Council on December 12, 2013.

When preparing the budget, Niagara Region considers its cash needs for the year to ensure it collects sufficient tax revenue to cover its obligations and execute its business plan. This includes budgeting for any principal debt repayments and considers any required transfers to or from reserves. Conversely, Niagara Region does not budget for amortization and its annual impact on tangible capital assets, changes in employee future benefit liabilities, and changes in the solid waste landfill closure and post closure costs liability as these are primarily non-cash items.

The budget was prepared for the purpose of setting tax rates and user fees rather than a framework for presenting annual financial results. Therefore, in order to issue financial statements, Niagara Region is required to adjust its presentation of the financial results to be accordance with Canadian public sector accounting standards (PSAS). The chart below identifies the components that move the Region from its approved balanced budget to the Canadian PSAS financial statements presented throughout this annual report.

	Approved Budget	2014	2013
	(000)	(000)	(000)
Based on budget approach			
Total Revenues	$ 829,648	$ 833,032	$ 810,661
Total Expenses	829,648	828,466	799,069
Net Surplus (CSD 26-2015)	-	4,566	11,592
PSAS Presentation Adjustments			
Recognize in year capital program revenues	48,090	48,004	25,997
Recognize capital fund expenditures resulting in operating expenses	(11,845)	(11,845)	(3,672)
Recognize loss on disposal & proceeds on disposal of assets	(3,370)	(3,370)	(997)
Remove principal debt repayments	23,883	25,109	25,790
Remove net transfers to reserves	68,751	69,000	68,003
Recognize interest earned on sinking fund investments	-	172	129
Recognize amortization	(66,108)	(66,108)	(65,494)
Recognize change in landfill liability	(6,496)	(6,496)	7,384
Recognize change in employee future benefits liability	(3,310)	(3,310)	(3,715)
Annual surplus per PSAS consolidated financial statements	$ 49,595	$ 55,722	$ 65,018

AUDIT COMMITTEE

Niagara Region's Audit Committee is responsible for ensuring that:

- Annual consolidated financial statements are prepared in accordance with generally accepted accounting principles and referred to Council for approval
- Systems of internal control over financial reporting operate effectively and are used to ensure compliance with legal, regulatory and ethical requirements
- The external audit function is used effectively and issues identified are addressed

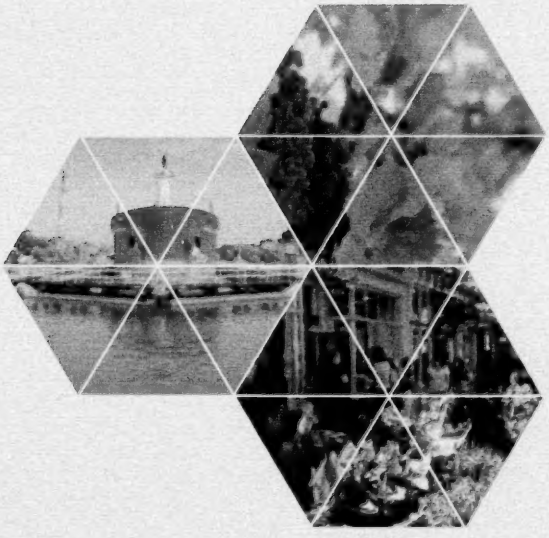
The Audit Committee evaluates the external auditor based on qualifications, independence, scope of the audit, timing of the audit and fees. The Audit Committee recommends the replacement, reappointment and/or appointment of the external auditors to Council.

FINANCIAL MANAGEMENT AND CONTROL

Niagara Region maintains a system of internal controls designed to safeguard assets and ensure transactions are properly authorized and recorded in compliance with legislative and regulatory requirements. The financial management and control systems of Niagara Region are governed by various by-laws, policies and procedures. Niagara Region's systems of internal controls are monitored and evaluated by management and are subject to independent audit.

Strengthened Financial Framework

Throughout 2014 Niagara Region worked diligently to strengthen its financial framework. In 2014, Deloitte was secured by Niagara Region to assist in the implementation of a new financial management system, referred to as the Enhanced Financial Management Service. Once implemented, the new system, in conjunction with standardized business processes, will enhance decision making and the financial reporting environment.



AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with Canadian PSAS as recommended by the Chartered Professional Accountants of Canada. The statements and related information are the responsibility of management and include financial activities of all entities deemed to be controlled by Niagara Region, including the Niagara Regional Police Service Board, Niagara Regional Housing and Court Services.

The Municipal Act of Ontario requires Niagara Region to appoint an independent auditor to express an opinion as to whether the financial statements present fairly, in all material respects, the Niagara Region's financial position and operating results. In discharging this responsibility, the auditors have complete access to all Niagara Region records and meet regularly with staff to discuss policies, procedures and process improvements arising from the audit. The auditors provide a written report and management letter dealing with the adequacy of internal financial control systems, and an audit opinion regarding the results of the financial statement audit.

Consistent with prior years, Niagara Region's financial statements have received an unqualified audit opinion.

CANADIAN AWARD FOR FINANCIAL REPORTING

For the tenth consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) presented Niagara Region with the Canadian Award for Financial Reporting for its 2013 Annual Financial Report. To receive the award, a government organization must present financial information in a clear, concise and informative manner, with content that conforms to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments, and address user needs.

Niagara Region is continuing this standard of high quality reporting for the submission and evaluation of its 2014 Annual Report to the GFOA's 2014 award program.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The consolidated statement of financial position reports on Niagara Region's financial and non-financial assets, liabilities and accumulated surplus at December 31, 2014.

Net Financial Assets (Net Debt)

Public sector accounting standards require Niagara Region to distinguish between financial and physical assets. Financial assets are those assets on hand, which would provide resources to discharge liabilities or finance future operations. The difference between financial assets and liabilities, or net financial assets (net debt), is an indicator of the Niagara Region's ability to finance future activities and to meet its liabilities and commitments.

In 2014, Niagara Region's net debt position increased from $512 thousand to $28.8 million. The increase is primarily the result of debt issued for the acquisition of tangible capital assets relating to major capital projects.

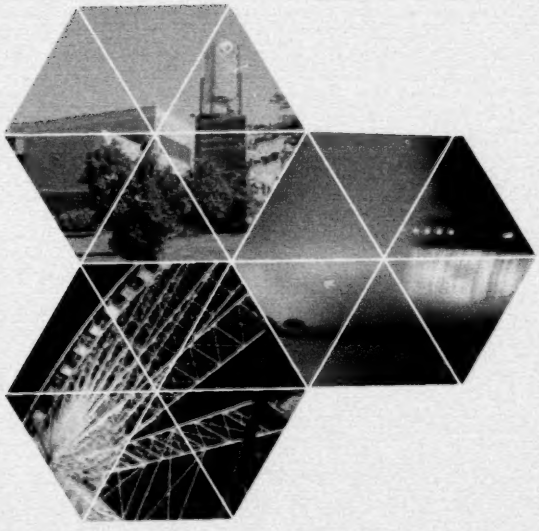
Tangible Capital Assets

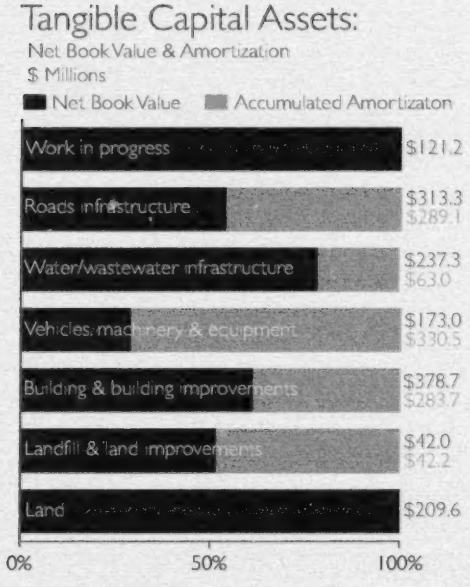
Tangible capital assets are significant economic resources managed by Niagara Region and a key component in the delivery of many programs and services.

The net book value of tangible capital assets, as reported in the consolidated statement of financial position, is $1.5 billion and is highlighted by category in the accompanying chart. Total historical costs are $2.5 billion and the total accumulated amortization is $1 billion, implying that 40 per cent of the estimated useful life of Niagara Region's tangible capital assets has been used in the delivery of programs and services. Amortization can be used to estimate future capital spending requirements with the understanding that asset replacement costs will be significantly higher than historical cost.

During the year Niagara Region acquired $153 million of tangible capital assets. The amortization expense, as reported in the statement of operations, amounted to $66.1 million.

Tangible capital asset acquisitions are approved by Council ensuring that the appropriate funding is in place.





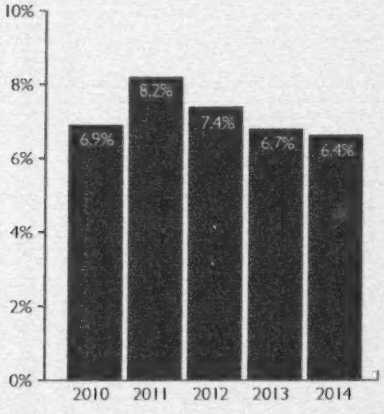
Debt Position

Niagara Region's debt practices are governed by provincial legislation and Council. The province's prescribed annual debt repayment limit stipulates that payments relating to all debt and other long-term financial obligations of a municipality may not exceed 25 per cent of own source revenues, including the annual tax levy, rate generated revenue and user fees.

Niagara Region, by way of provincial legislation, also issues all debt on behalf of the 12 local area municipalities and the conservation authority. The total debt recorded on the consolidated statement of financial position is $491 million and is consistent with debt recorded in 2013. The debt attributed to Niagara Region (total debt less debt recoverable from others) is $270 million or $605 per resident, up from $229 million or $515 per resident in 2013. Niagara Region's debt payments (principal and interest) totaled $36 million or 6.4 per cent of own source revenue down from $37 million or 6.7 per cent in 2013.

Debt Payments as a Per Cent of Own Source Revenues

$ Millions



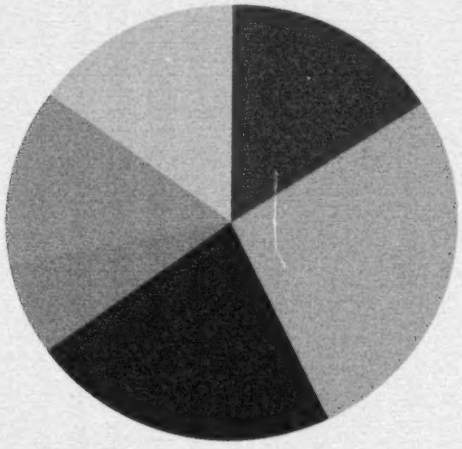
Accumulated Surplus

The accumulated surplus represents the net asset position (financial assets plus non-financial assets less financial liabilities) of Niagara Region.

At December 31, 2014, Niagara Region's accumulated surplus balance is $1.5 billion. This consists of a $1.2 billion investment in tangible capital assets, $277 million in reserves and $150 million unexpended capital financing. These balances are offset by a $10 million operating fund deficit and $160 million in unfunded liabilities. The reserves of $273 million are highlighted by designated purpose in the accompanying chart.

Reserve & Reserve Funds

$ Millions



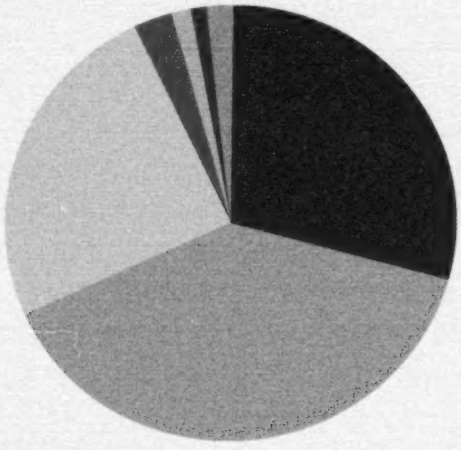
Stabilization	$34.6	13%
Capital	$40.1	15%
Future liability & commitment	$44.6	16%
Water operations & capital	$75.4	27%
Wastewater operations & capital	$61.5	22%
Waste management operations & capital	$20.7	7%

CONSOLIDATED STATEMENT OF OPERATIONS

The consolidated statement of operations reports Niagara Region's change in economic resources and accumulated surplus. During the year annual revenues exceeded expenses resulting in a $55.7 million surplus in accordance with Canadian PSAS. Compared to the prior year, Niagara Region's revenues reflect the increase in taxation for the year of $5.5 million. Higher expenses in 2014 relate to additional landfill liability. Below is a breakdown of our revenue sources by type and our expenses by function.

Revenue by Source

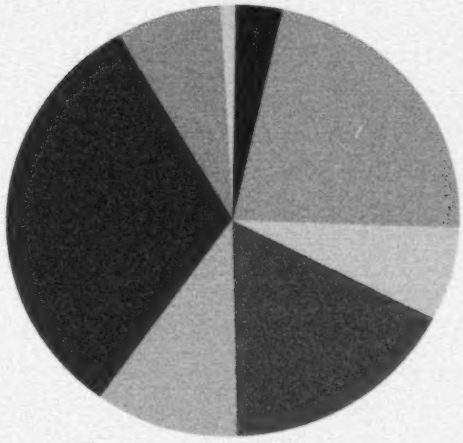
$ Millions



Province of Ontario grants	$252.4	29%
Property tax including PILS	$327.2	38%
User charges	$205.2	24%
Government of Canada grants	$33.5	4%
Investment income	$13.6	1%
Court Services	$8.5	1%
Other	$24.3	3%

Expense by Function

$ Millions



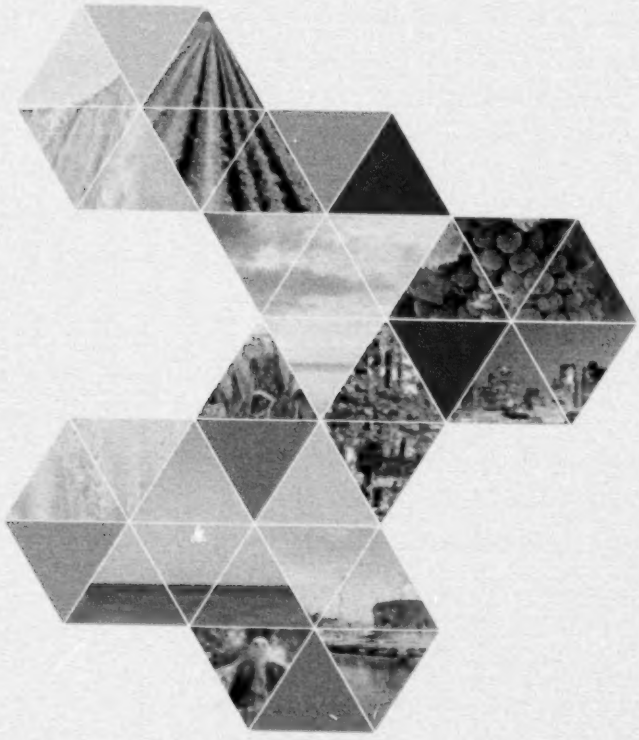
General government	$28.7	4%
Protection to persons and property	$171.0	21%
Transportation services	$59.6	7%
Environmental services	$145.8	18%
Health services	$82.8	10%
Social and family services	$254.0	32%
Social housing	$59.4	7%
Planning and development	$7.6	1%

Conclusion

Providing service to 446,192 residents in an ever changing economy requires proactive financial management and a strong financial control framework. Achieving a balance between providing the programs and services residents have come to rely upon, ensuring they can afford to pay for them and making sure we have funds to enable economic prosperity will continue to drive the financial strategies of Niagara Region. We are committed to providing high standards of fiscal excellence at Niagara Region.

Maurice Lewis,
Commissioner of Corporate Services/Treasurer
June 15, 2015

2014
Niagara Region
Financial Statements



The fiscal year ending December 31, 2014
The Regional Municipality of Niagara, Ontario, Canada

INDEX

December 31, 2014

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MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of The Regional Municipality of Niagara (the "Region") are the responsibility of the Region's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in Note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Region's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The audit committee meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by KPMG LLP, independent external auditors appointed by the Region. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Region's financial statements.

Maurice Lewis

Maurice Lewis,

Commissioner of Corporate Services/Treasurer

April 30, 2015

KPMG LLP
Chartered Professional Accountants
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St. Catharines ON L2R 7A7

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www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Regional Municipality of Niagara

We have audited the accompanying consolidated financial statements of the Regional Municipality of Niagara, which comprise the consolidated statement of financial position as at December 31, 2014, the consolidated statements of operations, change in net financial assets (net debt) and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated statement of financial position of the Regional Municipality of Niagara as at December 31, 2014, and its consolidated results of operations and the changes in its consolidated net financial assets (net debt) and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
April 30, 2015
St. Catharines, Canada

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2014, with comparative figures for 2013 (In thousands of dollars)

	2014	2013
FINANCIAL ASSETS:		
Cash	$ 131,831	$ 83,280
Investments (note 2)	421,472	429,390
Accounts receivable (note 3)	69,566	73,595
Other current assets	2,474	257
Debt recoverable from others (note 7)	220,971	232,126
	846,314	818,648
FINANCIAL LIABILITIES:		
Accounts payable and accrued liabilities	114,259	98,078
Employee benefits and other liabilities (note 4)	94,677	91,161
Deferred revenue (note 5)	109,135	109,783
Landfill liability (note 6)	65,895	59,399
Long-term liabilities (note 7)	491,112	460,739
	875,078	819,160
Net debt	(28,764)	(512)
NON-FINANCIAL LIABILITIES:		
Tangible capital assets (note 8)	1,475,266	1,392,873
Inventory	5,490	4,542
Prepaid expenses	10,655	10,022
	1,491,411	1,407,437
Accumulated surplus (note 9)	$ 1,462,647	$ 1,406,925

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS

Year ended December 31, 2014, with comparative figures for 2013 (In thousands of dollars)

	Budget (note 17)	2014	2013
REVENUES:			
Taxation and user charges:			
Requisitions on local governments	$ 328,661	$ 327,202	$ 321,698
User charges	203,666	205,218	204,421
	532,327	532,420	526,119
Government transfers (note 15):			
Government of Canada	33,549	33,468	20,939
Province of Ontario	258,054	252,379	241,097
Other municipalities	3,374	3,290	6,440
	294,977	289,137	268,476
Other:			
Development charges earned	5,227	5,227	3,237
Investment income	11,491	13,586	12,717
Provincial offences	9,032	8,537	8,295
Miscellaneous	13,210	15,781	6,427
	38,960	43,131	30,676
Total revenues	866,264	864,688	825,271
EXPENSES:			
General government	26,283	28,697	25,397
Protection to persons and property	171,609	171,036	169,003
Transportation services	61,905	59,586	53,519
Environmental services	149,404	145,767	128,407
Health services	81,699	82,847	79,597
Social and family services	259,530	254,018	240,951
Social housing	59,638	59,397	56,825
Planning and development	8,832	7,618	6,554
Total expenses	818,900	808,966	760,253
Annual surplus	47,364	55,722	65,018
Accumulated surplus, beginning of year	1,406,925	1,406,925	1,341,907
Accumulated surplus, end of year	$ 1,454,289	$ 1,462,647	$ 1,406,925

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (NET DEBT)

Year ended December 31, 2014, with comparative figures for 2013 (In thousands of dollars)

	Budget (note 17)	2014	2013
Annual surplus	$ 47,364	$ 55,722	$ 65,018
Acquisition of tangible capital assets	(147,244)	(147,244)	(115,895)
Contributed tangible capital assets	(5,361)	(5,361)	(54)
Transfers to assets held for sale	734	734	-
Amortization of tangible capital assets	66,108	66,108	65,494
Loss on sale of tangible capital assets	2,745	2,745	791
Proceeds on sale of tangible capital assets	625	625	206
Change in inventories	(948)	(948)	(127)
Change in prepaid expenses	(633)	(633)	(1,167)
Change in net financial assets (net debt)	(36,610)	(28,252)	14,266
Net debt, beginning of year	(512)	(512)	(14,778)
Net debt, end of year	$ (37,122)	$ (28,764)	$ (512)

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

December 31, 2014 with comparative figures for 2013 (In thousands of dollars)

	2014	2013
OPERATING ACTIVITIES:		
Annual surplus	$ 55,722	$ 65,018
Items not involving cash:		
Amortization	66,108	65,494
Contributed tangible capital assets	(5,361)	(54)
Transfer to assets held for sale	734	-
Loss on sale of tangible capital assets	2,745	791
Change in employee benefits and other liabilities	3,516	4,079
Change in landfill liability	6,496	(7,384)
Change in non-cash assets and liabilities:		
Accounts receivable	4,029	(8,583)
Other current assets	(2,217)	109
Accounts payable and accrued liabilities	16,181	257
Deferred revenue	(648)	43,697
Inventory	(948)	(127)
Deposit	-	-
Prepaid expenses	(633)	(1,167)
Net change in cash from operating activities	145,724	162,130
CAPITAL ACTIVITIES:		
Proceeds on sale of tangible capital assets	625	206
Cash used to acquire tangible capital assets	(147,244)	(115,895)
Net change in cash from capital activities	(146,619)	(115,689)
INVESTING ACTIVITIES:		
Sale of investments	132,761	115,690
Purchase of investments	(124,843)	(176,336)
Net change in cash from investing activities	7,918	(60,646)
FINANCING ACTIVITIES:		
Debt issued and assumed	66,836	11,369
Long-term debt repaid	(25,109)	(25,790)
Increase in sinking fund assets	(199)	(130)
Net change in cash from financing activities	41,528	(14,551)
Net change in cash	48,551	(28,756)
Cash, beginning of year	83,280	112,036
Cash, end of year	$ 131,831	$ 83,280
Cash paid for interest	$ 10,872	$ 11,359
Cash received from interest	13,755	11,364
Non-cash investing and financing activities:		
Debt issued on behalf of others	15,090	39,727
Repayment made on debt on behalf of others	26,244	25,330

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2014 (In thousands of dollars)

1. Significant accounting policies:

The consolidated financial statements of The Regional Municipality of Niagara (the "Region") are prepared by management in accordance with Canadian public sector accounting standards ("PSAS"). Significant accounting policies adopted by the Region are as follows:

(a) Basis of consolidation:

(i) Consolidated entities:

The consolidated financial statements reflect the assets, liabilities, revenues, expenses and fund balances of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Region and which are owned or controlled by the Region. These entities and organizations include:

Niagara Regional Police Services
Niagara Regional Housing
Court Services Operations
Niagara Economic Development Corporation

Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated.

(ii) Trust funds:

Trust funds and their related operations administered by the Region are not included in these financial statements.

(b) Basis of accounting:

The Region follows the accrual method of accounting for revenues and expenses. Revenues are recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(c) Investments:

Investments consist of bonds and money market notes and are stated at the lower of cost and market value. Gains and losses on investments are recorded when incurred.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended December 31, 2014 (In thousands of dollars)

1. Significant accounting policies (continued):

(d) Non-financial assets:

Non financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land and landfill sites, are amortized on a straight line basis over their estimated useful lives as follows:

Asset		Useful Life - Years
Landfill and land improvements		3 - 50
Building and building improvements		3 - 60
Vehicles, machinery and equipment	- Vehicles	4 - 20
	- Machinery and equipment	3 - 60
Water and wastewater infrastructure		25 - 100
Roads infrastructure	- Base	40
	- Bridge and culvert	60
	- Surface	10

Landfill sites are amortized using the units of production method based upon capacity used during the year.

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction (work in progress) are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iii) Intangible assets:

Intangible assets and natural resources that have not been purchased are not recognized as assets in the financial statements.

(iv) Interest capitalization:

The Region's tangible capital asset policy does not allow for the capitalization of interest costs associated with the acquisition or construction of a tangible capital asset.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended December 31, 2014 (In thousands of dollars)

1. Significant accounting policies (continued):

(d) Non-financial assets (continued):

(v) Leases:

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related payments are charged to expenditures as incurred.

(vi) Inventories:

Inventories held for consumption are recorded at the lower of cost and replacement cost.

(e) Reserves:

Certain amounts, as approved by Regional Council are set aside in reserves for future operating and capital purposes. Transfers to and/or from reserves are an adjustment to the respective reserve when approved. Reserves are presented on the statement of financial position in accumulated surplus.

(f) Government transfers:

Government transfers are recognized as revenue in the financial statements when the transfer is authorized, any eligibility criteria are met and a reasonable estimate of the amount can be made, except when and to the extent that stipulations by the transferor give rise to an obligation that meet the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.

(g) Deferred revenue:

Deferred revenues represent development charges, grants, user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

(h) Taxation revenue:

Property tax revenue is recognized on an accrual basis using the approved tax rates and the anticipated assessment related to the current year.

(i) Investment income:

Investment income earned is reported as revenue in the period earned. Investment income earned on development charge reserve funds is added to the fund balance and forms part of the deferred development revenue balance.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended December 31, 2014 (In thousands of dollars)

1. Significant accounting policies (continued):

(j) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating provisions for tax write-offs, accrued liabilities, landfill liability, certain payroll liabilities and in performing actuarial valuations of employee future benefits. Amounts recorded for amortization of tangible capital assets are based on estimates of useful service life. Actual results could differ from these estimates.

2. Investments:

Investments reported on the consolidated statement of financial position have market values as follows:

	2014		2013	
	Cost	Market Value	Cost	Market Value
Investments	$ 421,472	$ 433,919	$ 429,390	$ 435,080

3. Accounts receivable:

Accounts receivable are reported net of a valuation allowance of $2,174 (2013 - $2,551).

4. Employee benefits and other liabilities:

The Region provides certain employee benefits which will require funding in future periods. These benefits include sick leave, benefits under the Workplace Safety and Insurance Board ("WSIB") Act, and life insurance, extended health and dental benefits for early retirees.

	2014	2013
Future payments required to WSIB	$ 33,999	$ 29,995
Accumulated Sick Leave Benefit Plan entitlements	15,159	15,468
Retiree benefits	32,817	32,343
Vacation pay	9,355	10,076
Other liabilities	3,347	3,279
Total employee benefits and other liabilities	94,677	91,161

The Region has established reserve funds to mitigate the future impact of these obligations. These reserve funds are presented in the statement of financial position in accumulated surplus. Reserves relating to these liabilities are summarized by entity below:

	2014	2013
Niagara Regional Police Services	$ 10,396	$ 9,438
Niagara Regional Housing	793	793
Niagara Region	25,579	25,745
Total	$ 36,768	$ 35,976

4. Employee benefits and other liabilities (continued):

Information about the Region's benefit plans is as follows:

		2014		2013
Accrued benefit obligation:				
Balance, beginning of year	$	95,096	$	96,599
Current benefit cost		4,658		5,178
Interest		3,531		2,995
Actuarial (gain) loss		5,494		(3,965)
Benefits paid		(5,955)		(5,711)
Balance, end of year		102,824		95,096
Unamortized actuarial loss		(8,147)		(3,935)
Liability for benefits	$	94,677	$	91,161

Included in expenditures is $1,281 (2013 - $1,617) for amortization of the actuarial loss. The unamortized actuarial loss is amortized over the expected average remaining service life as listed below:

Accumulated Sick Leave Benefit Plan entitlements	6 - 12 years
Retiree benefits	10 - 18 years

The unamortized actuarial loss on future payments required to WSIB is amortized over the expected period of the liability which is 10 years.

Accumulated sick leave

Under the accumulated sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the Region's employment.

WSIB

With respect to responsibilities under provisions of the Workplace Safety and Insurance Board ("WSIB") Act the Region has elected to be treated as a Schedule 2 employer and remits payments to the WSIB as required to fund disability payments. An actuarial estimate of future liabilities has been completed and forms the basis for the estimated liability reported in these financial statements. The most recent actuarial valuation was performed as at December 31, 2012.

The main actuarial assumptions employed for the valuation are as follows:

a) Interest (discount rate):

The obligation as at December 31, 2014, of the present value of future liabilities and the expense for the 12 months ended December 31, 2014, were determined using a discount rate of 3.2% (2013 – 4.2%).

4. Employee benefits and other liabilities (continued):

WSIB (continued)

b) Administration costs:

Administration costs were assumed to be 22.2% (2013 - 22.2%) of the compensation expense.

c) Compensation expense:

Compensation costs, include loss of earnings benefits, health care costs and non-economic loss awards, were assumed to increase at rates ranging from 2.5% to 6.5% (2013 - 2.5% to 6.5%).

Retiree benefits

The Region pays certain life insurance benefits on behalf of the retired employees as well as extended health and dental benefits for early retirees to age 65 and Health Care Spending Accounts for certain retirees until the age of 70 or 75 depending on year of retirement. The Region recognizes these post-retirement costs in the period in which the employees rendered the services. The accrued benefit liability and the expense for the 12 months ended December 31, 2014, were determined by actuarial valuation using a discount rate of 3.2% (2013 – 4.2%). The most recent actuarial valuation was performed as at December 31, 2012.

The main actuarial assumptions employed for the valuations are as follows:

a) Interest (discount rate):

The obligation as at December 31, 2014, of the present value of future liabilities and the expense for the 12 months ended December 31, 2014, were determined using a discount rate of 3.2% (2013 – 4.2%).

b) Medical costs:

Medical costs were assumed to increase at the rate of 5% per year reducing to 4.0% per year in 2018 and thereafter (2013 - 5 1/3% to 4%).

c) Dental costs:

Dental costs were assumed to increase at the rate of 3.5% (2013 - 3.5%) per year.

Other pension plans

The Region makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer plan. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

4. Employee benefits and other liabilities (continued):

Other pension plans (continued)

The amount contributed to OMERS for 2014 was $27,922 (2013 - $26,015) for current service and is included as an expenditure on the consolidated statement of operations. Employees' contribution to OMERS in 2014 was $27,841 (2013 - $25,980).

Contributions for employees with a normal retirement age of 65 were being made at rate of 9% (2013 - 9%) for earnings up to the yearly maximum pensionable earnings of $52.5 (2013 - $51.1) and at a rate of 14.6% (2013 – 14.6%) for earnings greater than the yearly maximum pensionable earnings. For uniformed police officers with a normal retirement age of 60, those rates were 9.3% (2013 - 9.3%) and 15.9% (2013 - 15.9%) respectively.

The OMERS pension plan has a deficit based on an actuarial valuation of plan assets. In response OMERS increased contributions for both employees and employers by 0.7% for 2013. There were no changes to contributions rates or benefits for 2014. If actuarial surpluses are not available to offset the existing deficit and subsidize future contributions, increases in the contribution may be required in future years.

As OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of all Ontario municipalities and their 450,000 employees. The OMERS Primary Pension Plan concluded 2014 with an $7.1 billion deficit (2013 $8.1 billion deficit)

5. Deferred revenue:

A requirement of PSAS is that obligatory reserve funds be reported as deferred revenue. The Region treats development charges and gasoline tax as obligatory reserve funds. The Region has obligatory reserve funds in the amount of $78,369 (2013 - $70,659). These reserve funds are considered obligatory as Provincial and Federal legislation restricts how these funds may be used and, under certain circumstances, how these funds may be refunded.

In the case of development charges, revenue recognition occurs after the funds have been collected and when the Region has approved and incurred the expenditures for the capital works for which the development charges were raised. These funds have been set aside, as required by the Development Charges Act, to defray the cost of growth related capital projects associated with new development.

The deferred revenues, reported on the consolidated statement of financial position, are made up of the following:

	2014	2013
Development charges	$ 65,965	$ 53,396
Gasoline tax	12,404	17,263
Ontario Strategic Investments Fund		
Niagara-on-the-Lake wastewater treatment plant	13,093	14,430
Investing in Ontario Grant	10,617	10,617
Other deferred revenue	7,056	14,077
	$ 109,135	$ 109,783

5. Deferred revenue (continued):

The continuity of obligatory reserve funds and the Ontario Strategic Investments Fund are summarized below:

Development charges:

		2014		2013
Balance, beginning of year	$	53,396	$	34,103
Externally restricted inflows		17,070		21,765
Revenue earned		(5,227)		(3,237)
Investment income		726		765
Balance, end of year	$	65,965	$	53,396

Gasoline tax:

		2014		2013
Balance, beginning of year	$	17,263	$	11,162
Externally restricted inflows		13,203		13,502
Revenue earned		(18,265)		(7,558)
Investment income		203		157
Balance, end of year	$	12,404	$	17,263

Ontario Strategic Investments Fund - Niagara-on-the-Lake wastewater treatment plant:

		2014		2013
Balance, beginning of year	$	14,430	$	-
Externally restricted inflows		-		14,430
Revenue earned		(1,337)		-
Balance, end of year	$	13,093	$	14,430

6. Landfill liability:

The Region owns and operates a number of landfill sites. As well, they own and monitor several landfill sites which have been closed. The liability for closure of operational sites and post-closure care has been recognized based upon the usage of the site's capacity during the year. The costs were based upon the 2014 budget and inflation adjusted at rates from 1.5% to 3.0% per annum (2013 - 1.5% to 3.0%) until the estimated year of closure. These costs were then discounted to December 31, 2014 using a discount rate of 3.2% (2013 – 4.2%). Post-closure care is estimated to be required for 25 years from the date of site closure. The liability for closure and post-closure care as at December 31, 2014 is $65,895 (2013 - $59,399). Estimated expenses for closure and post-closure care are $77,143 (2013 - $67,417). The liability remaining to be recognized is $11,247 (2013 - $8,018). It is estimated that the life of the sites range from 2 to 33 years.

7. Net long-term liabilities:

(a) In addition to long-term liabilities incurred directly, the Region has assumed the responsibility for the charges on debt originally incurred by local municipalities in respect of functions which are now a Regional responsibility.

As well as incurring long-term liabilities for regional purposes, the Region also incurs long-term liabilities on behalf of the Area Municipalities. The responsibility for raising the amounts required to service this debt lies with the respective Area Municipalities.

The balance of net long-term liabilities reported on the consolidated balance sheet is made up of the following:

	2014	2013
Long-term liabilities incurred by the Region (including capital lease)	$ 496,698	$ 464,536
Long-term liabilities assumed by the Region incurred by others	938	988
Less: Sinking fund assets	(6,524)	(4,785)
Long-term liabilities	491,112	460,739
Debt recoverable from others net of sinking fund assets (long-term liabilities incurred by the Region for which other entities have assumed responsibility)	(220,971)	(232,126)
Net long-term liabilities, end of year	$ 270,141	$ 228,613

(b) The long-term liabilities in (a) issued in the name of the Region have received approval of the Ontario Municipal Board for those approved on or before December 31, 1992. Those approved after January 1, 1993 have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs.

(c) The Region issued sinking fund debentures of $78,079 payable on June 30, 2040 and bearing interest at the rate of 5.2% per annum. The sinking fund debentures are included in long-term liabilities in (a) and include $9,333 borrowed on behalf of the City of St. Catharines and shown as debt recoverable from others. The City of St. Catharines share of the sinking fund assets have been removed from the debt recoverable from others in (a). Annual principal payments into the sinking fund of $1,512 are due June 30 of each year. These payments are reflected as principal repayments in (e).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended December 31, 2014 (In thousands of dollars)

7. Net long-term liabilities (continued):

(d) The Region is contingently liable for long-term liabilities with respect to tile drainage and shoreline property assistance and for those for which the responsibility for the payment of principal and interest has been assumed by area municipalities and school boards. The total amount outstanding as at December 31, 2014 is $220,971 (2013 - $232,126) and is reported on the consolidated statement of financial position as debt recoverable from others.

(e) Principal payments to be funded by the Region, including sinking fund payments and capital lease obligations, due in each of the next five years are as follows:

2015	$	27,229
2016		21,419
2017		21,751
2018		16,740
2019		20,828
Thereafter		162,174
	$	270,141

(f) The long-term liabilities in (a) included capital lease obligations for equipment of $453 (2013 - $672) expiring in 2016 with interest at a rate of 2.58%.

(g) Total interest on net long-term liabilities which are reported on the consolidated statement of operations amounted to $11,214 in 2014 (2013 - $11,203). The long-term liabilities bear interest at rates ranging from 1.20% to 8.75%. The interest on long-term liabilities assumed by the municipalities and school boards or by individuals in the case of tile drainage and shoreline property assistance loans are not reflected in these financial statements.

(h) The Region has purchased $24,431 (2013 - $27,457) of its own debentures which have not been cancelled. This investment in own debentures is included in investments on the consolidated statement of financial position. The gross outstanding amount of these debentures is $35,059 (2013 - $49,070).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended December 31, 2014 (In thousands of dollars)

8. Tangible capital assets:

	2014							
	Land	Landfill and Land Improvements	Building and Building Improvements	Vehicles, Machinery and Equipment	Water and Wastewater Infrastructure	Roads Infrastructure	Work in progress	Total
Cost								
Balance, beginning of year	$207,249	$79,677	$633,840	$489,491	$277,955	$575,398	$88,203	$2,351,813
Additions	3,119	4,499	30,040	25,907	23,885	32,109	33,046	152,605
Transfer to assets held for sale	(734)	-	-	-	-	-	-	(734)
Disposals	-	(4)	(1,430)	(11,906)	(1,470)	(5,029)	-	(19,839)
Balance, end of year	209,634	84,172	662,450	503,492	300,370	602,478	121,249	2,483,845
Accumulated Amortization								
Balance, beginning of year	-	39,766	265,529	319,210	59,611	274,824	-	958,940
Disposals	-	(4)	(439)	(11,709)	(617)	(3,700)	-	(16,469)
Amortization expense	-	2,393	18,626	23,024	4,052	18,013	-	66,108
Balance, end of year	-	42,155	283,716	330,525	63,046	289,137	-	1,008,579
Net Book Value, end of year	$209,634	$42,017	$378,734	$172,967	$237,324	$313,341	$121,249	$1,475,266

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended December 31, 2014 (In thousands of dollars)

8. Tangible capital assets (continued):

	2013							
	Land	Landfill and Land Improvements	Building and Building Improvements	Vehicles, Machinery and Equipment	Water and Wastewater Infrastructure	Roads Infrastructure	Work in progress	Total
Cost								
Balance, beginning of year	$205,528	$77,274	$620,023	$472,211	$268,867	$546,347	$58,271	$2,248,521
Additions	1,893	2,554	13,921	23,928	9,088	34,633	29,932	115,949
Disposals	(172)	(151)	(104)	(6,648)	-	(5,582)	-	(12,657)
Balance, end of year	207,249	79,677	633,840	489,491	277,955	575,398	88,203	2,351,813
Accumulated Amortization								
Balance, beginning of year	-	37,454	247,417	301,895	55,767	262,573	-	905,106
Disposals	-	(151)	(50)	(6,485)	-	(4,974)	-	(11,660)
Amortization expense	-	2,463	18,162	23,800	3,844	17,225	-	65,494
Balance, end of year	-	39,766	265,529	319,210	59,611	274,824	-	958,940
Net Book Value, end of year	$207,249	$39,911	$368,311	$170,281	$218,344	$300,574	$88,203	$1,392,873

8. Tangible capital assets (continued):

Work in progress

Work in progress having a value of $121,249 (2013 - $88,203) is not amortized. Amortization of these assets will commence when the asset is put into service.

Contributed Tangible Capital Assets

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is $5,361 (2013 - $54).

Tangible Capital Assets Disclosed at Nominal Values

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

Works of Art and Historical Treasures

No works of art or historical treasures are held by the Region.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended December 31, 2014 (In thousands of dollars)

9. Accumulated Surplus:

Accumulated surplus consists of balances as follows:

	2014	2013
Surplus (deficit):		
Invested in tangible capital assets	$ 1,205,125	$ 1,164,260
Capital fund - unexpended capital financing	149,862	132,157
Operating fund	(9,730)	(12,390)
Unfunded		
Landfill liability	(65,895)	(59,399)
Employee benefits	(93,631)	(90,321)
	1,185,731	1,134,307
Reserves set aside by Council:		
Ambulance communication	1,623	1,623
Children's services	-	700
Circle route initiatives	1,383	1,483
Contingencies	-	9,074
Employee benefits	36,768	35,976
Encumbrances	3,461	2,523
General capital levy	22,542	8,223
Investment income stabilization	790	1,163
Land ambulance severance	-	4,681
Niagara Regional Housing	12,683	12,088
Court Services facilities renewal	1,258	2,665
Public health	-	303
Public liability self-insurance	2,308	2,403
Replacement of equipment	523	5,335
Senior services	-	2,017
Smart growth	2,074	2,153
Social assistance	-	7,986
Tax write-off	-	5,000
Taxpayer relief reserve	31,032	5,035
Waste management operations	20,703	17,403
Wastewater operations	61,512	60,907
Water operations	75,357	78,842
Other	2,899	5,035
	276,916	272,618
	$ 1,462,647	$ 1,406,925

10. Trust funds:

Trust funds administered by the Region amounting to $990 (2013 - $953) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

11. Commitments:

(a) The Region has outstanding contractual obligations of approximately $179,597 (2013 - $132,342) for public works projects. These costs include holdbacks. The holdbacks related to work completed as of December 31, 2014 have been accrued. Regional council has authorized the financing of these obligations.

(b) The Region is committed to paying principal and interest payments on provincial debentures issued to finance the properties transferred to Niagara Regional Housing from Ontario Housing Corporation. The debentures are outstanding in the amount of $15,779 (2013 - $17,511). Annual payments of $2,847 (2013 - $2,847) have been charged to current operations.

(c) The Region enters into various service contracts in the normal course of business which have been approved by the appropriate level of management or by Council but which have not been reported as commitments.

(d) Minimum annual lease payments:

The Region rents premises and equipment with minimum annual lease payments as follows:

	2014	2013
2014	$ -	$ 2,135
2015	2,575	1,826
2016	1,889	1,328
2017	986	590
2018	562	246
2019	509	236
Thereafter	2,801	2,858
	$ 9,322	$ 9,219

12. Contingent liabilities:

(a) From time to time, the Region is subject to claims and other lawsuits that arise in the ordinary course of business, some of which may seek damages in substantial amounts. These claims may be covered by the Region's insurance up to a maximum of $20,000 per occurrence for claims incurred prior to November 2013, and $50,000 per occurrence for claims incurred after November 2013. Liability for these claims and lawsuits are recorded to the extent that the probability of a loss is likely and it is estimable.

12. Contingent liabilities (continued):

(b) At December 31, 2014, salary or benefit agreements were not settled for the Ontario Nurses Association 9, CUPE 1019, and CUPE 1263 bargaining units.

Management has estimated the liability at December 31, 2014 based on the status of negotiations and has accrued that amount as an operating expense in the current year. The ultimate cost, however, will depend on the final settlement. Any additional costs will be expensed in the year that settlement is determined.

13. Public liability insurance:

The Region has undertaken a portion of the risk for public liability, as a means of achieving efficient and cost effective risk management. The Region is self insured for public liability claims up to $1,000 for any individual claim and $1,000 for any number of claims arising out of a single occurrence. Outside coverage is in place for claims in excess of these amounts up to $20,000 per occurrence for claims incurred prior to November 2013, and $50,000 per occurrence for claims incurred after November 2013.

The Region has a reserve fund for allocated self insurance claims which as at December 31, 2014 amounted to $2,308 (2013 - $2,403) and which is reported on the consolidated statement of financial position under accumulated surplus. An amount of $NIL (2013 - $1,940) has been transferred to this reserve fund in the current year. An amount of $95 (2013 - $2,035) has been transferred from this reserve fund in the current year.

Payments charged against operations in the current year amounted to $620 (2013 - $1,299).

14. Self funded employee benefit plans:

The Region provides a group health and dental plan for certain employees and has assumed the full liability for payment of benefits under this plan.

Payments charged against operations in the current year amounted to $15,388 (2013 - $14,933).

15. Government transfers:

The Government transfers reported on the Consolidated Statement of Operations are:

	Budget	2014	2013
Revenue:			
Government of Canada:			
General government	$ 2,079	$ 2,079	$ 620
Transportation services	18,482	18,482	8,093
Environmental services	2,211	2,210	569
Health services	-	-	52
Social and family services	636	622	659
Social housing	10,141	10,075	10,946
	33,549	33,468	20,939
Province of Ontario:			
General government	35	135	6
Protection to persons and property	5,971	6,060	5,367
Transportation services	3,154	3,154	2,060
Environmental services	1,434	1,434	52
Health services	53,733	54,164	53,727
Social and family services	188,792	182,174	171,761
Social housing	4,935	5,258	8,124
	258,054	252,379	241,097
Other municipalities:			
General government	315	231	205
Transportation services	2,845	2,845	2,373
Environmental services	214	214	3,870
Social and family services	-	-	(8)
	3,374	3,290	6,440
Total revenues	$ 294,977	$ 289,137	$ 268,476

16. Segmented information:

Segmented information has been identified based upon functional areas by the Region.

The functions have been separately disclosed in the segmented information as follows:

(i) General government:

General government consists of the general management of the Region, including adopting bylaws and policy, levying taxes, issuing debentures and providing administrative, technical, facility management, and financial services.

(ii) Protection to persons and property:

Protection to persons and property is comprised of the Police Services and Court Services. The mandate of Police Services is to ensure the safety of the lives and property of citizens; preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce the law. Court Services is responsible for administering and prosecuting Provincial Offences including those committed under the Highway Traffic Act, the Compulsory Automobile Insurance Act, the Trespass to Property Act, the Liquor License Act and other provincial legislation, municipal by-laws and minor federal offences. Court Services governs all aspects of the legal prosecution process, from serving an offence notice to an accused person to conducting trials including sentencing and appeals.

(iii) Transportation services:

Within the Public Works department, this segment is responsible for the planning, design, operation and maintenance of the roadway system, the maintenance of parks and open space, and street lights.

(iv) Environmental services:

Within the Public Works department, this segment is responsible for the engineering and operation of the water and wastewater systems and waste management, the latter of which encompasses solid waste collection and disposal and Niagara Recycling.

(v) Health services:

The Public Health Department offers a range of programs related to health services that includes protection and promotion, disease and injury prevention and also oversees the Emergency Services Division ("ESD") that encompasses both Land Ambulance ("Paramedic") Services and Land Ambulance Communications ("Dispatch") Services.

16. Segmented information (continued):

(vi) Social and family services:

The Community Services department is responsible for providing public services that sustains and supports individuals, families and communities. Programs and services are delivered through Senior Services, Children's Services, and Social Assistance and Employment Opportunities.

(vii) Social housing:

The Region is committed to providing and advocating for secure, affordable housing in the Region.

(viii) Planning and development:

The planning and development department provides information to Council and the community through working with partners and community groups to support planning initiatives in the region, providing information to residents about Region programs and services and providing leadership in the development, maintenance and growth of the emergency readiness in Niagara. The planning and development department also supports the economic development and Region special initiatives, including contributions to the Niagara Health System.

Certain allocation methodologies are employed in the preparation of segmented information. Taxation and payments-in-lieu of taxes are allocated to the segments based on the segment's budgeted net expenses. User charges and other revenue have been allocated to the segments based upon the segment that generated the revenue. Government transfers have been allocated to the segment based upon the purpose for which the transfer was made. Development charges earned and developer contributions received were allocated to the segment for which the charge was collected.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended December 31, 2014 (In thousands of dollars)

16. Segmented information (continued):

	2014								
	General Government	Protection to persons and property	Transportation services	Environmental services	Health services	Social and family services	Social housing	Planning and development	Total
Revenues:									
Taxation	$11,417	$149,449	$52,770	$ -	$29,174	$43,829	$30,741	$9,822	$327,202
User charges	462	9,140	2,717	154,755	397	24,354	12,935	458	205,218
Government transfers	2,445	6,060	24,481	3,858	54,164	182,796	15,333	-	289,137
Development charges earned	3	-	4,285	939	-	-	-	-	5,227
Investment income	13,480	-	-	-	-	-	106	-	13,586
Court Services	-	8,537	-	-	-	-	-	-	8,537
Other	882	720	8,430	3,013	705	834	608	589	15,781
Total revenues	28,689	173,906	92,683	162,565	84,440	251,813	59,723	10,869	864,688
Expenses:									
Salaries, wages and employee benefits	6,210	139,606	15,177	29,068	68,989	96,312	5,429	3,621	364,412
Operating expenses	16,091	15,894	21,354	87,165	11,851	56,620	20,257	1,576	230,808
External transfers	526	10,080	286	-	-	96,490	26,637	2,402	136,421
Debt services	1,490	751	2,597	4,490	44	1,351	475	19	11,217
Amortization	4,380	4,705	20,172	25,044	1,963	3,245	6,599	-	66,108
Total expenses:	28,697	171,036	59,586	145,767	82,847	254,018	59,397	7,618	808,966
Annual surplus (deficit)	($8)	$2,870	$33,097	$16,798	$1,593	($2,205)	$326	$3,251	$55,722

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended December 31, 2014 (In thousands of dollars)

16. Segmented information (continued):

	2013								
	General Government	Protection to persons and property	Transportation services	Environmental services	Health services	Social and family services	Social housing	Planning and development	Total
Revenues:									
Taxation	$10,909	$146,363	$50,473	$ -	$29,526	$45,093	$29,602	$9,732	$321,698
User charges	465	8,111	3,305	155,191	498	23,745	12,708	398	204,421
Government transfers	831	5,367	12,526	4,491	53,779	172,412	19,070	-	268,476
Development charges earned	-	-	2,519	718	-	-	-	-	3,237
Investment income	12,612	-	-	-	1	-	104	-	12,717
Court Services	-	8,295	-	-	-	-	-	-	8,295
Other	1,492	634	(927)	3,771	683	346	314	114	6,427
Total revenues	26,309	168,770	67,896	164,171	84,487	241,596	61,798	10,244	825,271
Expenses:									
Salaries, wages and employee benefits	6,596	136,941	15,487	28,327	65,663	91,838	5,177	2,926	352,955
Operating expenses	13,332	16,012	15,850	69,669	12,239	54,288	18,986	2,679	203,055
External transfers	-	9,926	86	4	-	90,539	26,067	924	127,546
Debt services	1,186	825	2,730	4,710	40	1,212	475	25	11,203
Amortization	4,283	5,299	19,366	25,697	1,655	3,074	6,120	-	65,494
Total expenses:	25,397	169,003	53,519	128,407	79,597	240,951	56,825	6,554	760,253
Annual surplus (deficit)	$912	($233)	$14,377	$35,764	$4,890	$645	$4,973	$3,690	$65,018

17. Budget data:

The budget data presented in these consolidated financial statements are based upon the 2014 operating and capital budgets approved by Council on December 12, 2013. The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements. Budgets established for tangible capital asset acquisitions are on a project-oriented basis, the costs of which may be carried out over one or more years. Where amounts were budgeted for on a project-oriented basis, the budget amounts used are based on actual projects that took place during the year to reflect the same basis of accounting that was used to report the actual results. In addition, to ensure comparability of expenses, the allocation of program support costs completed for actual reporting was also applied to the budget amounts.

		Budget Amount
REVENUES:		
Operating		
Approved budget	$	829,648
Reclassification between revenue and expense		(278)
Budget updates		2,620
Capital:		
Development charges		5,227
Grants and subsidies		32,372
Other contributions		5,130
Contributed assets		5,361
Less:		
Transfers from reserves		(10,446)
Loss on sale of tangible capital assets		(2,745)
Proceeds on sale of tangible capital assets		(625)
Total revenue		866,264
EXPENSES:		
Operating		
Approved budget		829,648
Reclassification between revenue and expense		(278)
Budget updates		2,620
Add:		
Capital project cost resulting in operating expenses		15,510
Amortization		66,108
Employee future benefits		3,310
Landfill liability		6,496
Less:		
Operating expenses resulting in tangible capital assets		(1,434)
Transfers to reserves, including capital		(79,197)
Debt principal payments		(23,883)
Total expenses		818,900
Annual surplus	$	47,364

18. Comparative figures:

Certain 2013 comparative figures have been reclassified to conform to the consolidated financial statement presentation adopted in the current year. There was no impact to the annual or accumulated surplus as a result of the reclassification of 2013 comparative figures.

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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of The Regional Municipality of Niagara

We have audited the accompanying financial statements of the sinking funds of The Regional Municipality of Niagara, which comprise the statement of financial position as at December 31, 2014, the statements of operations and change in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the statement of financial position of the sinking funds of The Regional Municipality of Niagara as at December 31, 2014, and its results of operations and the changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
April 30, 2015
St. Catharines, Canada

SINKING FUND STATEMENT OF FINANCIAL POSITION

As at December 31, 2014, with comparative figures for 2013 (In thousands of dollars)

	2014	2013
FINANCIAL ASSETS:		
Cash	$ 219	$ 172
Interest receivable	34	21
Due from operating fund	17	20
Investments (note 2)	6,254	4,573
	6,524	4,786
FINANCIAL LIABILITIES:		
Accounts payable and accrued liabilities	5	5
Sinking fund requirements		
City of St. Catharines	776	572
The Regional Municipality of Niagara	5,711	4,209
	6,492	4,786
Accumulated surplus and net debt	$ 32	$ -

The accompanying notes are an integral part of these financial statements.

SINKING FUND STATEMENT OF OPERATIONS AND CHANGE IN NET DEBT

Year ended December 31, 2014, with comparative figures for 2013 (In thousands of dollars)

	2014	2013
REVENUES:		
Contributions	$ 1,512	$ 1,512
Investment income	231	153
Total revenues	1,743	1,665
EXPENSES:		
Professional fees	5	5
Provision for sinking fund requirements	1,706	1,649
Total expenses	1,711	1,654
Net change in fund balance for the year	32	11
Accumulated deficit and net debt, beginning of year	-	(11)
Accumulated surplus and net debt, end of year	$ 32	$ -

The accompanying notes are an integral part of these financial statements.

SINKING FUND STATEMENT OF CASH FLOWS

Year ended December 31, 2014, with comparative figures for 2013 (In thousands of dollars)

	2014	2013
OPERATING ACTIVITIES:		
Net change in fund balance for the year	$ 32	$ 11
Change in non-cash assets and liabilities:		
Interest receivable	(13)	(3)
Due from operating fund	3	7
Net change in cash from operating activities	22	15
INVESTING ACTIVITIES:		
Purchase of investments	(1,681)	(1,525)
Net change in cash from investing activities	(1,681)	(1,525)
FINANCING ACTIVITIES:		
Increase in sinking fund requirements	1,706	1,649
Net change in cash from financing activities	1,706	1,649
Net change in cash	47	139
Cash, beginning of year	172	33
Cash, end of year	$ 219	$ 172

The accompanying notes are an integral part of these financial statements.

NOTES TO SINKING FUND FINANCIAL STATEMENTS

For the year ended December 31, 2014 (In thousands of dollars)

1. Significant accounting policies:

The financial statements of trust funds of The Regional Municipality of Niagara (the "Region") are the representation of management prepared in accordance with Canadian public sector accounting standards.

The sinking fund is a separate fund maintained for the purpose of providing for the repayment of all sinking fund debt when it becomes due and payable. The debt issued on June 30, 2010 subject to repayment through the sinking fund is $78,079. The sinking fund is proportionally held 88.05% by the Region and 11.95% by the City of St. Catharines. Annual interest payments on the sinking fund debt are $4,060.

Significant accounting policies adopted by the Region for the sinking funds are as follows:

(a) Basis of accounting:

The Region's sinking fund follows the accrual method of accounting for revenues and expenses.

(b) Sinking fund requirements:

The requirements of the sinking fund represent the amounts required which, together with interest compounded annually, will be sufficient to retire the related debentures at maturity. The requirements were calculated using a rate of 3.5% per annum.

(e) Investment income:

Investment income earned and reported as revenue in the period earned.

2. Investments:

The investments consist of municipal bonds and are carried at cost. At December 31, 2014 the investments have a market value of $6,771 (2013 - $4,178)

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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Regional Municipality of Niagara

We have audited the accompanying financial statements of the trust funds of The Regional Municipality of Niagara, which comprise the statement of financial position as at December 31, 2014, the statements of operations and change in net financial assets for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the statement of financial position of the trust funds of The Regional Municipality of Niagara as at December 31, 2014, and its results of operations and the changes in its net financial assets for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
April 30, 2015
St. Catharines, Canada

TRUST FUNDS STATEMENT OF FINANCIAL POSITION

Year ended December 31, 2014, with comparative figures for 2013 (In thousands of dollars)

		2014		2013
FINANCIAL ASSET				
Cash	$	982	$	993
Due from Regional Municipality of Niagara (note 2)		8		-
		990		993
FINANCIAL LIABILITY				
Due to Regional Municipality of Niagara (note 2)		-		40
Accumulated surplus and net financial assets	$	990	$	953

The accompanying notes are an integral part of these financial statements.

TRUST FUNDS STATEMENT OF OPERATIONS AND CHANGE IN NET FINANCIAL ASSETS

Year ended December 31, 2014, with comparative figures for 2013 (In thousands of dollars)

	Residents' Trust Accounts	Trust Funds Retained for Residents	Donated Surplus	Total 2014	Total 2013
REVENUE:					
Residents' deposits, net	$ 862	$ -	$ -	$ 862	$ 929
Donations	-	58	225	283	216
	862	58	225	1,145	1,145
EXPENSE:					
Residents' withdrawals, net	896	-	-	896	1,029
Expenditures for the benefit of residents	-	58	154	212	229
	896	58	154	1,108	1,258
Annual deficit and changes in net financial assets	(34)	-	71	37	(113)
Accumulated surplus and net financial assets, beginning of year	409	286	258	953	1,066
Accumulated surplus and net financial assets, end of year	$ 375	$ 286	$ 329	$ 990	$ 953

The accompanying notes are an integral part of these financial statements.

TRUST FUNDS STATEMENT OF CASH FLOWS

Year ended December 31, 2014, with comparative figures for 2013 (In thousands of dollars)

	2014	2013
OPERATING ACTIVITIES:		
Annual deficit	$ 37	$ (113)
Change in non-cash liability:		
Due to Regional Municipality of Niagara	(48)	(22)
Net change in cash from operating activities	(11)	(135)
Cash, beginning of year	993	1,128
Cash, end of year	$ 982	$ 993

The accompanying notes are an integral part of these financial statements.

NOTES TO TRUST FUNDS FINANCIAL STATEMENTS

Year ended December 31, 2014 (In thousands of dollars)

1. Significant accounting policies:

The financial statements of trust funds of The Regional Municipality of Niagara are the representation of management prepared in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the Region for the trust funds are as follows:

(a) Basis of accounting:

The Trust Funds follow the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as result of receipt of goods and services and/or the creation of a legal obligation to pay.

(b) Tangible capital assets:

The net financial assets of the Trust Funds are resident deposits for the benefits of residents. No tangible capital assets are purchased by the Trust Funds.

2. Due to/from the Regional Municipality of Niagara:

The amount due to or from the Regional Municipality of Niagara has no fixed terms of repayment and is non-interesting bearing.

2014 Niagara Region Statistical

The fiscal year ending December 31, 2014
The Regional Municipality of Niagara, Ontario, Canada

FIVE YEAR STATISTICAL REVIEW

Year ended December 31, 2014 with comparative figures for 2013-2010 (Unaudited – In thousands of dollars)

	2014	2013	2012	2011	2010
STATISTICS					
Population (a)	446,192	445,351	446,676	431,346	443,866
Number of households (b)	193,883	192,335	191,153	190,150	188,554
Niagara Region government full-time employees	3,412	3,434	3,396	3,424	3,402
Unemployment rates (c):					
Niagara Region	7.7%	8.5%	7.8%	8.2%	9.4%
Ontario	7.3%	7.5%	7.8%	7.8%	8.7%
Canada	6.9%	7.1%	7.2%	7.4%	8.0%
Average monthly Ontario Works caseloads	10,816	10,649	10,632	10,302	9,790
Housing starts (d)	1,479	1,223	1,137	1,110	1,086
Annual disposal residential solid waste (metric tonnes)	92,500	91,826	91,812	93,466	116,883
Annual diversion of residential solid waste (metric tonnes)	101,986	102,640	97,616	91,643	84,901
Annual supply of treated water (000 m3)	56,474	56,897	60,486	59,592	59,432
Annual wastewater flows (000 m3)	73,260	79,655	69,975	85,675	73,099
BUILDING PERMIT VALUES ($000's)					
Agricultural & residential (e)	$ 430,030	$ 392,438	$ 322,681	$ 282,500	$ 284,196
Business & commercial (e)	80,649	275,557	97,232	116,624	141,573
Industrial (e)	50,321	41,644	78,219	29,153	40,777
Government & Institutional (e)	57,336	136,382	38,491	43,349	621,133
	$ 618,336	$ 846,021	$ 536,623	$ 471,626	$ 1,087,679

Source:

(a) Statistics Canada preliminary estimate (2009-2010 based on 2006 adjusted census data; 2011-2013 based on 2011 adjusted census data)

(b) Municipal Property Assessment Corporation

(c) Statistics Canada, CANSIM Tables 282-0110 & 282-0002

(d) CMHC Canadian Housing Observer

(e) Statistics Canada, Building Permits

FIVE YEAR STATISTICAL REVIEW

Year ended December 31, 2014 with comparative figures for 2013-2010 (Unaudited – In thousands of dollars)

	2014	2013	2012	2011	2010
AREA MUNICIPALITIES TAX LEVY & COLLECTION EXPERIENCES					
Current tax levy	n/a	805,569	784,548	763,759	$ 759,551
Current tax levy collections	n/a	748,262	716,772	708,485	$ 702,142
Current collection as a % of current levy	n/a	92.9%	91.4%	92.8%	92.4%
Total collections	n/a	777,534	770,022	763,652	$ 756,560
Total collections as a % of current levy	n/a	96.5%	98.1%	100.0%	99.6%
Total tax arrears	n/a	71,690	65,042	65,705	$ 66,237
Tax arrears as a % of current levy	n/a	8.9%	8.3%	8.6%	8.7%
Regional government tax levy change (Net assessment decrease/increase after assessment growth)	1.89%	1.97%	3.22%	-1.37%	-0.08%
TAXABLE ASSESSMENT					
(Taxable assessment upon which the year's rate of taxation were set)					
Residential and farm	$ 40,199,198	$ 38,862,564	$ 37,803,722	$ 35,739,283	$ 33,647,581
Commercial, industrial and business	6,661,150	6,368,471	6,404,494	6,114,200	5,682,992
Total	$ 46,860,348	$ 45,231,034	$ 44,208,216	$ 41,853,483	$ 39,330,573
Per household	$ 207,337	$ 202,057	$ 197,767	$ 187,953	$ 178,451
Commercial, industrial, business, as a % of taxable assessment	14.2%	14.1%	14.5%	14.6%	14.4%

FIVE YEAR STATISTICAL REVIEW

Year ended December 31, 2014 with comparative figures for 2013-2010 (Unaudited – In thousands of dollars)

	2014	2013	2012	2011	2010
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (NEBT)					
Annual surplus	$ 55,722	$ 65,018	$ 25,422	$ 71,118	$ 78,589
Acquisition of tangible capital assets	(152,605)	(115,949)	(127,994)	(88,630)	(155,506)
Transfer to assets held for sale	734	-	-	-	-
Amortization of tangible capital assets	66,108	65,494	64,672	60,590	57,576
Loss on sale of tangible capital assets	2,745	791	2,022	406	160
Proceeds on sales of tangible capital assets	625	206	1,319	308	884
Change in supplies of inventories	(948)	(127)	(543)	(106)	(356)
Change in deposit	-	-	4,814	(4,814)	-
Change in prepaid expenses	(633)	(1,167)	(419)	(863)	(5,972)
Change in net financial assets (net debt)	(28,252)	14,266	(30,707)	38,009	(24,625)
Net financial assets (net debt), beginning of year	(512)	(14,778)	15,929	(22,080)	2,545
Net financial assets (net debt), end of year	$ (28,764)	$ (512)	$ (14,778)	$ 15,929	$ (22,080)
NET LONG-TERM LIABILITIES					
General municipal activities - capital projects	$ 270,141	$ 228,613	$ 243,164	$ 265,564	$ 295,528
Per capita ($)	$ 605	$ 513	$ 544	$ 616	$ 666
Percentage of taxable assessment	0.6%	0.5%	0.6%	0.6%	0.8%
DEBT PAYMENTS FOR NET LONG-TERM LIABILITIES					
General municipal activities	$ 36,326	$ 36,993	$ 40,551	$ 44,174	$ 35,480
Per capita $	$ 81	$ 83	$ 91	$ 102	$ 80
GENERAL LONG-TERM DEBT CHARGES AS A % OF TOTAL GENERAL EXPENDITURES					
Percentage of debt to general expenditures	4.5%	4.9%	5.1%	5.9%	4.0%
ANNUAL REPAYMENT LIMIT					
Annual repayment limit	$ 101,475	$ 96,182	$ 90,120	$ 95,547	$ 87,754

FIVE YEAR STATISTICAL REVIEW

Year ended December 31, 2014 with comparative figures for 2013-2010 (Unaudited – In thousands of dollars)

	2014	2013	2012	2011	2010
CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
FINANCIAL ASSETS					
Cash	$ 131,831	$ 83,280	$ 112,036	$ 87,144	$ 74,495
Investments	421,472	429,390	368,744	407,540	420,772
Accounts receivable	69,566	73,595	65,012	74,763	92,924
Other current assets	2,474	257	366	279	735
Debt recoverable from others	220,971	232,126	217,729	217,154	181,705
Total financial assets	846,314	818,648	763,887	786,880	770,631
FINANCIAL LIABILITIES					
Accounts payable and accrued liabilities	114,259	98,078	97,821	97,009	121,931
Employee benefits and other liabilities	94,677	91,161	87,082	82,659	81,293
Deferred revenue	109,135	109,783	66,086	70,005	72,423
Landfill liability	65,895	59,399	66,783	38,560	39,831
Long-term liabilities	491,112	460,739	460,893	482,718	477,233
Total financial liabilities	875,078	819,160	778,665	770,951	792,711
Net financial assets (net debt)	(28,764)	(512)	(14,778)	15,929	(22,080)
NON-FINANCIAL ASSETS					
Tangible capital assets	1,475,266	1,392,873	1,343,415	1,283,434	1,256,108
Inventory	5,490	4,542	4,415	3,872	3,766
Deposits	-	-	-	4,814	-
Prepaid expenses	10,655	10,022	8,855	8,436	7,573
Total non-financial assets	1,491,411	1,407,437	1,356,685	1,300,556	1,267,447
Accumulated surplus	$ 1,462,647	$ 1,406,925	$ 1,341,907	$ 1,316,485	$ 1,245,367

FIVE YEAR STATISTICAL REVIEW

Year ended December 31, 2014 with comparative figures for 2013-2010 (Unaudited – In thousands of dollars)

	2014	2013	2012	2011	2010
CONSOLIDATED STATEMENT OF OPERATIONS					
REVENUES BY SOURCE					
Property taxpayer	$ 327,202	$ 321,698	$ 310,223	$ 299,332	$ 301,841
Sewer charges	66,141	66,440	66,923	61,615	60,339
Water charges	41,205	41,491	43,205	42,585	41,709
Waste management	47,407	47,260	46,147	50,336	45,998
User charges	50,464	49,230	46,421	47,688	46,264
Government of Canada grants	33,468	20,939	27,763	25,444	46,545
Province of Ontario grants	252,379	241,097	226,864	247,313	385,276
Other municipalities	3,290	6,440	6,713	10,677	3,432
Development charges	5,227	3,237	15,066	7,040	2,364
Developer contributions	200	83	1,313	526	135
Investment income	13,586	12,717	14,643	14,552	10,650
Court Services	8,537	8,295	8,854	9,321	8,869
Miscellaneous income/other	15,581	6,344	5,446	4,846	3,686
Total revenue by source	864,688	825,271	819,581	821,276	957,108
EXPENSE BY FUNCTION					
General government	28,697	25,397	30,820	25,248	29,709
Protection to persons and property	171,036	169,003	162,728	159,678	147,317
Transportation services	59,586	53,519	55,862	51,548	65,386
Environmental services	145,767	128,407	159,404	139,361	121,319
Health services	82,847	79,597	76,611	72,342	72,712
Social and family services	254,018	240,951	233,026	226,537	376,989
Social housing	59,397	56,825	54,831	55,923	60,188
Planning and development	7,618	6,554	20,877	19,521	4,899
Total expenses by function	808,966	760,253	794,159	750,158	878,519
Annual Surplus	55,722	65,018	25,422	71,118	78,589
Accumulated surplus, beginning of year	1,406,925	1,341,907	1,316,485	1,245,367	1,166,778
Accumulated surplus, end of year	$ 1,462,647	$ 1,406,925	$ 1,341,907	$ 1,316,485	$ 1,245,367
ANALYSIS OF EXPENSES BY OBJECT					
Salaries, wages and employee benefits	$ 364,412	$ 352,955	$ 339,755	$ 327,519	$ 315,711
Operating expenses	230,808	203,055	233,796	214,159	215,534
External transfers to others	136,421	127,546	144,020	134,756	278,604
Debt services	11,217	11,203	11,916	13,134	11,094
Amortization	66,108	65,494	64,672	60,590	57,576
Total expenses by object	$ 808,966	$ 760,253	$ 794,159	$ 750,158	$ 878,519

NOTES

2014
Niagara Region
Annual Financial Report

Niagara Region

Niagara Region Printing Services July 2015